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Chiang Calls for State and Local Governments to Consider Standard & Poor's Boycott

SAN FRANCISCO – At today's "The Municipal Credit Crunch" symposium presented by The Bond Buyer, Controller John Chiang issued the following statement on Treasurer Bill Lockyer's efforts to bring a single credit rating scale to the municipal bond market:

"I strongly support the Treasurer's initiative and urge municipal issuers to unite to bring credit rating reform.

"Every dollar spent by the State on our debt comes out of the General Fund, which means less in the budget to pay for quality education, healthcare and public safety. The current bond rating system inflates the perception of risk associated with municipal bonds, which misleads potential investors and causes taxpayers to pay higher interest rates. A single rating scale would strengthen the municipal bond market, save taxpayers from paying higher interest rates, and provide California some welcome budget relief.

"As an option, we ought to consider boycotting Standard & Poor's until they constructively engage California and national municipal issuers on credit rating reform. The costs passed on from the current rating system to states, local governments and, ultimately, taxpayers across the country, are serious enough to consider not paying for the ratings unless municipal bonds are judged on an even playing field."

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